

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3758-01
Bill No.: HB 1767
Subject: Taxation and Revenue - Sales and Use; Counties; Revenue Dept.
Type: Original
Date: February 24, 2010

Bill Summary: Would provide a state and local sales and use tax exemption for eyeglasses.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on General Revenue Fund	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Parks, and Soil and Water	(Unknown)	(Unknown)	(Unknown)
School District Trust	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

In response to similar proposals, officials from the **Office of the Secretary of State (SOS)** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education** assume there would be no fiscal impact to their organization other than a reduction of state revenue.

Officials from the **Department of Revenue** (DOR) provided a response which did not indicate a fiscal impact on their organization. The DOR response assumed a reduction in state revenues as a result of this proposal.

Officials from **Cass County** assume this proposal would have an unknown impact on their revenues but stated they could not estimate the impact.

Officials from **St. Louis County** provided a response that indicated the reduction in sales tax revenues to their organization would not be great.

Officials from the **City of Centralia** assume the proposal could result in a small loss of sales tax revenue, probably less than \$10 per year.

Officials from **Francis Howell School District** assume this proposal would have a negative impact on their organization since it would lower the total sales tax collected by the state and distributed to schools through Proposition C. School District officials stated they were not able to estimate the amount of impact.

Officials from **Parkway School District** assume the proposal would likely have minimal impact but stated they were not able to estimate the impact to their organization.

Officials from the **St. Joseph Police Department** assume that sales tax losses could negatively affect their organization.

ASSUMPTION (continued)

Although officials from the **Office of Administration, Division of Budget and Planning (BAP)** did not respond to our request for information, they provided a response to a similar proposal (HB 110, LR 0432-01, 2009) in the previous session. BAP officials assumed there would be no added cost to their organization as a result of the proposal.

The proposal would exempt the sale of eyeglasses from local and state sales taxes. According to the US Census Bureau, 2002 Economic Census, retail sales at Missouri optical goods stores totaled \$127 million in 2002. This would include the sale of eyeglasses, contacts, and other goods, but BAP does not have data on proportional sales. Therefore, this proposal may reduce general and total state revenues up to the following amounts:

The BAP response included the following estimate of fiscal impact to the state and to local governments.

Sales	\$127 million
General Revenue Fund	\$3.8 million
School District Trust Fund	\$1.3 million
Conservation Commission Fund	\$0.2 million
Parks, and Soil and Water Funds	\$0.1 million
Total State Revenues	\$5.4 million
Local Governments	\$3.2 million

Oversight notes that this proposal would provide a state and local sales and use tax exemption for all sales of eyeglasses. Oversight also assumes the BAP estimate is likely the best estimate of potential revenue reductions, but the underlying data includes significant sales categories which would not be exempted from sales tax by this proposal. For fiscal note purposes, Oversight will indicate revenue reductions of more than \$100,000 for the state General Revenue Fund and for local governments, and an unknown revenue reduction for those other state funds which receive sales tax revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE FUND			
<u>Revenue reduction</u> - sales tax exemptions	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue reduction</u> - sales tax exemptions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARKS, AND SOIL AND WATER FUND			
<u>Revenue reduction</u> - sales tax exemptions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction</u> - sales tax exemptions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
LOCAL GOVERNMENTS			
<u>Revenue reduction</u> - sales tax exemptions	<u>(More than</u> <u>\$100,000)</u>	<u>(More than</u> <u>\$100,000)</u>	<u>(More than</u> <u>\$100,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(More than</u> <u>\$100,000)</u>	<u>(More than</u> <u>\$100,000)</u>	<u>(More than</u> <u>\$100,000)</u>

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact to small businesses which sell eyeglasses.

FISCAL DESCRIPTION

The proposed legislation would create a state and local sales and use tax exemption for eyeglasses.

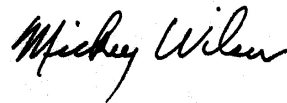
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Revenue
Cass County
St. Louis County
City of Centralia
Francis Howell School District
Parkway School District
St. Joseph Police Department

NOT RESPONDING

Office of Administration
Division of Budget and Planning

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 24, 2010